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D.A. BROWN: TWO BROOKLYN ATTORNEYS CHARGED
IN COMPLICATED MORTGAGE FRAUD SCHEME

Four Others – Including Alleged “Straw” Buyer – Also Charged

Queens District Attorney Richard A. Brown announced today that two attorneys who maintain law practices in downtown Brooklyn have been charged with selling the house out from under a Rosedale woman who was experiencing financial difficulties by engaging in an elaborate real estate foreclosure bail out scheme. Four Long Island residents have also been charged with participating in the alleged scheme.

District Attorney Brown said, “The six defendants are accused of participating in a carefully orchestrated real estate scheme that netted them hundreds of thousands of dollars in mortgage loan proceeds and involved everything from fraudulent mortgage applications to ‘straw’ buyers and ‘show’ checks to keep the unsuspecting homeowner from learning the truth – that her house was being stolen right from under her nose.”

The District Attorney added, “A house is one of the biggest investments a person will make in their lifetime and that is why it is extremely important that homeowners not rush into any real estate transactions and that they consult reputable professionals of their own choosing. It is particularly troublesome that the closing attorneys allegedly involved in this scheme are accused of having breached their fiduciary responsibilities for their own illegal profit.”

The District Attorney identified the defendant attorneys as John D. Lewis, 54, of 356 East 87th Street in Manhattan, and Angelyn Johnson, 48, of 47 Willowbrook Lane in Freeport, Long Island. The defendants, who both maintain law practices at 26 Court Street in Brooklyn, have each been charged with second-degree grand larceny, second-degree forgery, second-degree criminal possession of a forged instrument, first-degree scheme to defraud and first-degree falsifying business records. If convicted, they each face up to fifteen years in prison.

District Attorney Brown said that a 10-month investigation conducted by his office and the NYPD’s Special Fraud’s Squad is alleged to have revealed that, in November 2004, Rosedale homeowner Dale Noray, 38, was having financial difficulty. Looking to refinance the home she had purchased for \$256,000 four years earlier, she approached Karl Simon (also known as Rahmel Simon), who claimed that he was a mortgage broker with NLC of New York, Inc., a mortgage company located at 30 South Ocean Avenue in Freeport. At a subsequent meeting in January 2005, Simon informed Ms. Noray that her credit score was low and that in order for a bank to refinance her mortgage, it would be necessary to place the name of a co-mortgagee on the deed. Simon assured Ms. Noray that her name would remain on the deed, that she would retain ownership of the property, and that once her credit score improved the deed would revert back to her as being the property’s sole owner.

In a criminal complaint filed against attorneys Lewis and Johnson, it is alleged that Ms. Noray attended a refinancing closing on April 4, 2005. Allegedly present at the closing were the defendants Karl Simon, John Lewis (who represented himself as Ms. Noray’s attorney), Robert Kleinschmidt (who would be co-signing the mortgage and whose name would be added to the deed), Angelyn Johnson (who purportedly represented Kleinschmidt), and Harold Williams (who allegedly recruited Kleinschmidt as the “straw” buyer). It is further alleged that once Ms. Noray was reassured by Simon and Lewis that the house would remain hers – despite the fact that the deed would reflect Kleinschmidt’s name – and that after a few months the deed would revert back solely to her name, she signed the closing documents placed before her, including a contract of sale purporting to sell her home to Kleinschmidt. Simon and Lewis then allegedly told her that the money generated from the sale of her house would be placed in escrow so that they could assure that the mortgage would be paid and that the mortgage would not be in default.

District Attorney Brown said that a review of the business records of Argent Mortgage Company (the mortgagor for the closing) revealed that, in fact, Lewis was the attorney for the buyer, Kleinschmidt, and that

Johnson was representing Ms. Noray on the sale of her house. The mortgage company records also revealed that the contract sale price of the house was \$507,000, and that the amount of money that was cleared after settling Ms. Noray's mortgage and after fees and services was \$212,000 – which should have been paid out to Ms. Noray at the closing. In fact, according to the criminal charges, Ms. Noray received only \$29,069.66.

Among the other funds disbursed during the closing, it is alleged that Johnson received a check for \$2,500 and Lewis received two checks totaling \$140,054.12, which were deposited into his escrow account – although no escrow accounts were set up for either Dale Noray or Robert Kleinschmidt. Lewis then allegedly issued two checks from his escrow account – one for \$21,277 to defendant Simon and a second for \$21,500 to defendant Harold Williams. Williams, in turn, allegedly then deposited the check into his account and wrote a check to Kleinschmidt for acting as the “straw” buyer. Argent records also reveal that a check for \$24,743 was issued to Ms. Noray at the closing from an account maintained by Johnson. However, the check was neither negotiated nor was Ms. Noray aware of its existence.

The District Attorney said that such checks are commonly referred to as “show” checks in a mortgage fraud scheme. Such checks are displayed at a closing to reflect that the seller has been given money by the buyer and the check is placed in the seller's attorney's account so that it appears that the buyer paid some sort of down payment to the seller and that the seller was getting compensated for the same. Such checks would never be negotiated, they merely are presented and made part of the closing documents so that the mortgage scheme can be carried out. In this case, it is alleged that Johnson was paid \$2,500 to allow her check to be presented during the closing.

On November 22, 2005, Ms. Noray allegedly contacted Simon and informed him that she was financially secure to have the mortgage placed solely in her name and that she wanted sole title to her home. Several months later, Ms. Noray is alleged to have contacted Simon again about obtaining sole title to her home and was informed by Simon that her credit score was poor and that she would need a co-signer for a mortgage on the home. Ms. Noray informed Simon that she wanted to use her brother as a co-signer for the mortgage. Simon insisted that he would use his “cousin” – Thierry Marcellin – as a co-signer. Unbeknownst to Ms. Noray, Marcellin – who is not related to Simon nor had ever met him – was allegedly contacted by a person in Simon's employ (known only as Jahim) in January 2006 and told that he would be paid \$5,000 if he allowed his name to be placed on a mortgage in order to help someone out with bad credit.

On March 27, 2006, a closing for the Rosedale house was held on Long Island. According to the charges, the financial data and information submitted in support of Marcellin's mortgage application by Simon and/or NLC was, in fact, fraudulent and that Marcellin would be financially unable to make any mortgage payments. It is further alleged that, at the closing, Marcellin met Simon for the first time and that Simon introduced himself as Ramel Simon, Jahim's boss. Simon also allegedly told Marcellin that he would never be the true purchaser of the house or be responsible for the mortgage, and that after a year his name would be taken off the mortgage. At the closing, Johnson was listed as the attorney for the buyer, Thierry Marcellin, and Lewis was the attorney for the seller, Robert Kleinschmidt. Lewis also stated that he had Kleinschmidt's power of attorney to execute the sale and proceed with the closing.

District Attorney Brown said that a review of the business records of First Franklin Financial (the mortgagor for the closing) revealed that the sale price of the house was \$620,000. Among the funds disbursed after settling the bank note on the house was a check for \$62,636.93 to Tmark Inc. The check was deposited the following day into Tmark's account, which was allegedly controlled by defendant Rhames. Two days later, the Tmark account paid \$33,000 to Simon, \$11,500 to Kleinschmidt, \$5,000 to Marcellin and \$5,000 to Dale Noray. In addition, \$10,000 in cash was withdrawn from the account.

The District Attorney said it was further alleged that Ms. Noray was never told or directed to appear at the March 27, 2006, closing nor did she know that such a closing had occurred. On the same day as the closing, it is alleged that Ms. Noray contacted NLC and spoke with defendant Rhames and voiced her displeasure in not being able to get in touch with Simon. Rhames allegedly informed her that Simon had left a check for her, which Ms. Noray believed was part of the April 2005 closing. Appearing at NLC's office later that day, Rhames handed her a check for \$5,000. In addition, Simon appeared that same day at Ms. Noray's Rosedale home and told her that she had her house back, and even presented her with a deed from the seller, Thierry Marcellin, to Dale Noray, which was dated March 27, 2006.

Two weeks later, on April 14, 2006, Ms. Noray allegedly spoke with Simon on the phone who indicated that there was a problem with the insurance on the house and that they would need to pay an additional \$15,000 to a bank employee to fix the problem. The next day Ms. Noray went to Lewis's office – who she still believed was her attorney at the April 2005 closing – and he allegedly handed her a notarized

escrow disbursement which indicated that she had an escrow account being held by RJV Holding Corp., in the amount of \$42,278.38, and which gave permission to reduce the amount by \$15,000 as a necessary expense against her mortgage. When asked why she had to pay the money, Lewis allegedly stated, "If you don't sign it, you will lose your house," – even though Lewis already knew that the house had been sold at the March 27, 2006, closing. After further consultation with Lewis, who she believed to be her attorney, she signed the disbursement.

Finally, on July 12, 2006, Ms. Noray received a deed for the Rosedale property through the mail which showed that title to the property had been transferred from Robert Kleinschmidt to Thierry Marcellin. It was at this point Ms. Noray noticed that her name was not listed on the deed, only the name of Kleinschmidt.

In reviewing the business records of the New York City Department of Finance's Office of the Registrar, it was determined that there was no deed of record conveying the Rosedale property from Thierry Marcellin to Ms. Noray. Registrar records only show the property being conveyed from Ms. Noray to Kleinschmidt as sole owner and from Kleinschmidt to Marcellin as sole owner.

District Attorney Brown asks that anyone who believes that he or she may have been a victim of the defendants' alleged scheme to contact his Economics Crimes Bureau at 718-286-6673.

The investigation and arrest were conducted by Detective Carolyn Shabunia, of the NYPD's Special Frauds Squad, under the supervision of Captain Gregory Antonsen, Squad Commander, and the overall supervision of Chief of Detectives George F. Brown.

The District Attorney expressed his appreciation to the New York State Department of Banking and the New York City Department of Finance for their assistance with the investigation.

Assistant District Attorney Christina Hanophy, Deputy Bureau, of the District Attorney's Economic Crimes Bureau, is prosecuting the case under the supervision of Gregory C. Pavlides, Bureau Chief, and the overall supervision of Executive Assistant District Attorney for Investigations Peter A. Crusco and Deputy Executive Assistant District Attorney Linda M. Cantoni.

It should be noted that a complaint is merely an accusation and that a defendant is presumed innocent until proven guilty.

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Note to Editors: Press release e-version posted at www.queensda.org.

DEFENDANTS

JOHN D. LEWIS and ANGELYN JOHNSON were arraigned yesterday before Queens Criminal Court Judge Suzanne Melendez, who set bail at \$100,000 for each defendant and ordered a return date of March 6, 2007.

KARL R. SIMON, 41, of 83 Brentwood Lane in Valley Stream, Long Island, was arraigned on October 18, 2006, before Queens Criminal Court Judge Joseph Zayas and charged with second-degree grand larceny, second-degree forgery, second-degree criminal possession of a forged instrument, first-degree falsifying business records and first-degree scheme to defraud. Bail was set at \$250,000 and his next court date is April 24, 2007.

ROBERT C. KLEINSCHMIDT, 55, of 28 Gordon Road in Valley Stream, was arraigned on January 30, 2007, before Queens Criminal Court Judge Suzanne Melendez and charged with second-degree grand larceny, second-degree forgery, second-degree criminal possession of a forged instrument, first-degree falsifying business records and first-degree scheme to defraud. Bail was set at \$10,000 and his next court date is February 27, 2007.

HAROLD WILLIAMS, 47, of 1045 Arthur Avenue in Valley Stream, and TERRENCE L. RHAMES, 34, of 37 Ridgewood Street, also in Valley Stream, were arraigned on February 1, 2007, before Judge Melendez and charged with second-degree grand larceny, second-degree forgery, second-degree criminal possession of a forged instrument, first-degree falsifying business records and first-degree scheme to defraud. Bail was set at \$50,000 for each defendant and their next court date is April 10, 2007.

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